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Anatomy of a Furor: Charting the Evolution of the Iran Affair

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WASHINGTON, Dec. 22 — On Dec. 8, 1985, four days after he left his post as President Reagan's national security adviser, Robert C. McFarlane delivered what he thought was a final order to the Israelis and arms dealers brokering weapons sales to Iran.

By Presidential decree, Mr. McFarlane said, the weapons shipments were finished. But within six weeks, the covert operation that was to capture the imagination of key staff members at the National Security Council rose from the ashes.

A senior Israeli official, Amiram Nir, came to Washington later last December with word that the Iranian middlemen had sweetened the terms. Just one more arms shipment, Mr. Nir reported, would win the release of the five American hostages in Lebanon and open ties to moderates in Teheran. President Reagan changed his mind, and the arms were

sent in February. But the hostages were not released, beginning a pattern that would recur again and again.

Some members of Congress say they believe the resumption of arms shipments this year was a telling moment because it illustrated how eager the Reagan Administration was to send arms to Iran, even in the face of opposition by senior officials.

What follows is a reconstruction of the covert dealings with Iran, based on Congressional testimony and on interviews in recent days with figures inside and outside the Government.

It is a sprawling and often confusing sequence of events, involving credulous National Security Council staff members, middlemen of unproven reliability and Iranian contacts who never quite delivered what the Americans expected. It suggests how normal safeguards and procedures for overseeing covert actions were ignored and real or potential critics in Washington were isolated or bypassed.

Mr. Nir met with the Director of Central Intelligence, William J. Casey, in December 1985 and assured him that the logistical problems holding up the arms shipments in 1985 had been eliminated with the ouster of the Israeli arms dealers and officials previously involved.

On Jan. 17, 1986, with the support of the new national security adviser, Vice Adm. John M. Poindexter, and Mr. Casey, President Reagan changed his mind and signed a directive authorizing the shipments.

As a result, this year the Reagan Administration shipped or condoned six deliveries of arms to Iran, and three American hostages were freed. Three other Americans, however, were taken hostage this fall.

The shipment of arms to Iran arose from a mixture of personal relationships and national interests in the United States, Iran and Israel. These interests combined to keep the arms program alive despite opposition from senior Reagan Administration advisers like Secretary of State George P. Shultz and Secretary of Defense Caspar W. Weinberger.

The Players: Seeds of a Deal

These are the main elements that appear to have driven the dealings with Iran:

¶The middlemen: The Reagan Administration's initial contact with Iran was through Manucher Ghorbanifar, an Iranian businessman living in Europe who had been judged unreliable by the Central Intelligence Agency. In 1985, Mr. Ghorbanifar worked on the arms deals with two Israelis and with Adnan M. Khashoggi, a Saudi businessman who had befriended the two Israelis. Mr. Ghorbanifar and the other middlemen have said they made no money on the deals. Congressional investigators say they have evidence that millions were taken in commissions. By late 1985, Richard V. Secord, a retired Air Force general, played a role that is not yet clear involving diplomacy, logistics for the arms shipments and possibly the diversion of money to the Nicaraguan rebels.

¶The Iranians: The Iranian military relies almost entirely on American weapons. The six-year-old war with Iraq has drained the army's arsenal, and each American arms shipment provided weapons useful to the war effort. Additionally, the National Security Council officials said they thought there were moderates in Iran who wanted closer ties to the West. Other political analysts challenge that view.

¶The Israelis: Israel has been covertly shipping weapons to Iran off and on since 1979, as part of a broad strategy in the region. The Israelis apparently hoped to protect Jews living in Iran and to prolong the Iran-Iraq war, which keeps Iraq from turning its military resources against Israel. The arms sales program was run in 1986 by Mr. Nir, the counterterrorism adviser to the Israeli Prime Minister at the time, Shimon Peres. In 1985, Yaacov Nimrodi and Al Schwimmer, the two Israeli arms dealers, played a direct role through their ties to Mr. Khashoggi, the Saudi arms dealer.

¶The Reagan Administration: President Reagan was strongly influenced when relatives of the hostages held in Lebanon repeatedly protested in 1985 and 1986 that the hostages were being abandoned. Initially, efforts to rescue one of the hostages, William Buckley, the C.I.A. station chief in Beirut, were a motivating force. But the covert shipments continued after late 1985, when it was strongly suspected that Mr. Buckley had been killed by his captors. Additionally, White House officials said they believed they could cultivate moderates in Iran and prevent the Soviet Union from dismembering that country after the anticipated death of its leader, Ayatollah Ruhollah Khomeini.

Each of the national interests were linked through personal ties. The key person in arranging the arms shipments in Washington was Lieut. Col. Oliver L. North, a National Security Council staff member who had developed close relationship with Mr. Nir from their work in the successful plan to force down a plane carrying the Arabs who had hijacked the Italian cruise ship Achille Lauro.

Colonel North was also close to General Secord after the two helped persuade Congress to sell Awacs radar planes to Saudi Arabia in 1981. General Secord, in turn, served in Iran before Shah Mohammed Riza Pahlavi fell, and he has long ties to Mr. Ghorbanifar, who was at the time an agent with the Shah's secret police, and Mr. Nimrodi, who was then Israel's envoy to Iran. General Secord also met a business partner, Albert Hakim, in Iran in this period. Congressional investigators say they believe Mr. Hakim provided some of the financial expertise used in the covert dealings.

The Iran-Iraq war, which began in 1980, gave Iran an almost insatiable desire for American made military parts. By 1984, when Lebanese militants with ties to Iran took their first American hostage, the elements were in place for a trade.

On March 16, 1984, Mr. Buckley, the C.I.A. station chief in Beirut, was kidnapped in Beirut. He had extensive knowledge of American counterterrorism procedures and agents in the Middle East, and his kidnapping set off a burst of activity at the C.I.A., which undertook extensive efforts to rescue him. Some of these efforts undoubtedly became known to the Iranians.

On July 8 another American, the Rev. Benjamin Weir was kidnapped in Beirut. And By late 1984, Mr. Ghorbanifar had made his first overture to a former American intelligence official, Theodore G. Shackley. His offer: money for hostages. Mr. Shackley wrote a paper detailing the meeting which was passed to some American officials.

U.S. and Iran: Closer Ties?

According to Mideast Report, a New York-based newsletter edited by David Mizrahi, Mr. Ghorbanifar met in Hamburg, West Germany, in January 1985 with Iranian officials and three other arms dealers. They were told to seek better ties with the West and more weapons.

Meanwhile, some in Washington were having similar thoughts about better relations. In May 1985, the chairman of the C.I.A.'s National Intelligence Council, Graham Fuller, wrote a report with a provocative idea: an opening to Iran as a means of blocking any Soviet move in region.

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By mid-1985, this paper evolved into a draft directive written by two National Security Council staff members, Howard Teicher and Donald Fortier, who was then a senior N.S.C. staff member. The directive's thesis was ridiculed by Mr. Weinberger, who scribbled "absurd" in the margins of his copy.

Mr. Ghorbanifar continued his efforts to make deals involving arms, Iran and possibly the American hostages. He got in touch with Mr. Khashoggi, who passed him on to his Israeli contacts, Mr. Schwimmer and Mr. Nimrodi.

In May and June 1985, a consultant to the National Security Council, Michael Ledeen, went to Israel and met with Prime Minister Peres. The Israeli press has said Mr. Ledeen raised the issue of hostages and arms; American officials say this is untrue and that the visit was intended to seek Israel's advice on whether it would be wise to seek closer ties with Iran.

Throughout these months, Iran was also making overtures to the United States through intermediaries in Europe and the Middle East.

A First Shipment: 'Good Faith'

In August, Mr. McFarlane met with David Kimche, the director general of the Israeli Foreign Ministry. Mr. Kimche is said by Mr. McFarlane to have recommended sending arms to Iran as a means of making contact with moderates and of releasing the hos-

tages, particularly Mr. Buckley. The offer conveyed by Mr. Kimche: For 500 TOW anti-tank missiles, all the hostages would be freed.

According to one American account, it was Iran that raised the issue of arms shipments after the United States had asked Teheran to halt its support of terrorism. Iran, according to one Administration official, wanted a sign of "good faith."

And so the Israelis sent shipments, first 100 missiles and by September a total of 508. Only Mr. Weir was released, the first in a series of disappointments.

There is a continuing discrepancy in the Administration's accounts over whether President Reagan personally approved the Israeli shipments in advance. Mr. McFarlane has told Congress that he had oral approval from the President and that the matter was discussed and agreed to at a meeting in early August. The White House chief of staff, Donald T. Regan, differs, saying the approval came after the fact.

By November 1985, the United States was committed to the Iran initiative. American officials delayed the announcement of Mr.

Weir's release for several days in hopes that all six hostages would be freed. And when they were not, the Israelis sent more arms to Iran in November.

The C.I.A. was enlisted in this shipment for the first time by Colonel North, who is said to have told a friend at the agency, Duane Claridge, that oil-drilling equipment was being shipped. When the agency later found it had sent weapons, its Deputy Director, John N. McMahon, said no further assistance would be provided without formal Presidential approval.

A Stop and Start: Persuasive Iranian

On Dec. 6, 1984, two days after Mr. McFarlane left his post, senior officials met to evaluate the Iran initiative. The conclusion was that diplomatic contacts were to be encouraged but the arms shipments were to be cut off. Mr. McFarlane told Mr. Ghorbanifar and Mr. Kimche of this decision in London on Dec. 8.

When Mr. Nir came to Washington in December, he assured Mr. Casey that Mr. Ghorbanifar was now in touch with higher level Iranian officials who could both free the hostages and accomplish a strategic opening to Iran.

These assurances convinced Mr. Casey and Admiral Poindexter, and at a meeting on Jan. 7, 1986, they argued in favor of resuming the program with direct American shipments arranged through the C.I.A. President Reagan, many legislators apparently believe, was agreeable to the idea, both because of his personal interest in the hostages and his support for countering potential Soviet advances in the region.

The first American shipment, taken from Pentagon stocks by the C.I.A. in February, was flown to Israel by Southern Air Transport, a Miami-based air-freight company that would later emerge as closely tied to the private supply efforts to aid the contras. The arms were then shifted to an unmarked Israeli Air Force jet and flown to Iran by a separate American crew.

Financing for the deal was handled by Mr. Khashoggi, and Mr. Casey has told Congress this was done without knowledge of senior C.I.A. officials. Money was needed up front because the Pentagon would need release the arms without first being paid, and the Iranians would not pay until they received the weapons. Mr. Khashoggi raised the money from Canadians, he has said. Some of the money from the deals paid to Lake Resources, a Panamanian company whose Swiss bank account was accessible to both General Secord and Colonel North.

McFarlane's Trip: Enter the Contras

It is not clear what happened between February and May, but several officials said there were meetings overseas between Colonel North and various Iranian officials. By March, Mr. Teicher of the National Security Council staff was asked to draw up talking points for a meeting in Teheran involving Mr. McFarlane. Weeks went by. Finally, Mr. McFarlane and Mr. Teicher along with George Cave, a retired C.I.A. official hired for the mission, and some C.I.A. communications officials flew to Teheran with weapons. Again, they expected to see the release of the hostages.

After five days of inconclusive meetings, Mr. McFarlane left Teheran, convinced the mission had failed. Colonel North told him that it was not a complete failure because proceeds from the sales were being diverted to Central America. Mr. McFarlane said that was the first time he learned of the diversion. On this same trip, H. Ross Perot, the Texas businessman, agreed to send several million dollars to the Middle East for a ship-to-ship exchange, which never materialized.

Mr. McFarlane has said he did not ask further about the diverted money to the contras, believing such an action could only have been authorized at high levels. After Mr. McFarlane returned to the United States, he delivered a report on the trip and says he believed the shipments had ended. At about this time, Secretary of State Shultz says he asked Admiral Poindexter and Mr. Casey about the program and was told it was over. Mr. Casey, through a spokesman has denied this account.

In July, another shipment was sent to Iran. and this time, on July 26, a single hostage was released: the Rev. Lawrence M. Jenco. Mr. Ghorbanifar was then removed from the deal and another direct channel to Iran developed by Colonel North. Another arms shipment was sent in late October, and a single hostage was again released, leaving three behind.

Throughout this period, Colonel North used General Secord to assist the secret diplomacy, with General Secord waiting on the ground when Mr. McFarlane went to Israel. He was in Beirut when the final hostage, David P. Jacobsen, was freed in November.

The Unraveling: Plane Goes Down

General Secord, who has so far refused to testify before Congress citing his Fifth Amendment rights, but who is scheduled to appear before the House Intelligence Committee on Tuesday, is believed to have been involved in organizing a private supply operation for the contras.

It remains unclear how much, if any, of the Iran proceeds went to Central America, but both the supply operation and the Iran program began to unravel simultaneously. First, a cargo plane carrying Eugene Hasenfus was shot down on Oct. 5. Admiral Poindexter promptly asked the Federal Bureau of Investigation to delay its inquiry about the airline, which was scheduled to be involved in the Oct. 26-27 shipment to Iran.

Then, on Nov. 4, a Beirut weekly magazine, Al Shiraa, broke its story about American arms dealings in Iran, which was eventually confirmed by both the official Iranian press agency and American officials.